Canada. Sales Tax
Committee
Report to the
Minister of Finance

Canadian Tax Reporter

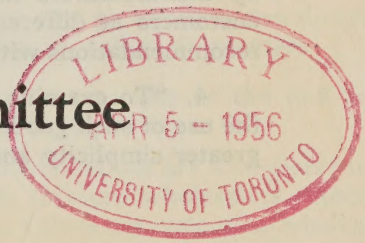
Report

to the

Minister of Finance

by the

Sales Tax Committee



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Terms of Reference

1. "To examine the problem arising under sales and excise taxes where manufacturers sell to customers at different levels in the marketing process and to make recommendations for a definition of a tax base or statutory method of administrative practice designed to equalize approximately the tax payable on goods of like value."

2. "To examine the question of appeals from taxes imposed under the Excise Tax Act and make recommendations with regard thereto."

3. "To examine the problem arising under sales and excise taxes with regard to the tax payable by importers of goods and that payable by manufacturers in Canada of goods of like value when sold to customers at different levels in the marketing process and to make recommendations with regard thereto."

4. "To examine the system of exemptions for goods based upon the use of such goods and recommend any changes which may achieve greater simplicity and certainty without substantial loss of revenue."

[CREST]

Ottawa, January 12, 1956.

The Honourable Walter E. Harris, P.C., Q.C.,
Minister of Finance,
Ottawa, Ontario.
Dear Sir:

1. Pursuant to your appointment of a Sales Tax Committee effective on 1st July, 1955, we have made an examination of certain matters relating to Canadian sales tax in order to report on the references you have submitted to us as follows:

REFERENCE 1

"To examine the problem arising under sales and excise taxes where manufacturers sell to customers at different levels in the marketing process and to make recommendations for a definition of a tax base or statutory method of administrative practice designed to equalize approximately the tax payable on goods of like value."

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2. There are three general levels in the marketing process—

1. Manufacturer to Wholesaler
2. Wholesaler to Retailer
3. Retailer to Consumer

3. For purposes of sales and excise tax levied at the manufacturers' level, it is unfortunate that all goods do not follow these steps. Manufacturers not only sell to wholesalers but also to retailers and direct to consumers. Wholesalers sell to consumers as well as to retailers.

4. The sales and excise tax placed on transactions at the first level encounters some difficulties in reaching for equity—

(a) It appears probable that more taxable goods are sold direct from manufacturers to retailers than pass through wholesalers. Accordingly, those goods must be taxed on values equivalent to wholesale. This is achieved by applying the tax to notional sales computed at equivalent wholesale prices where they can be found or discounting prices to retailers so as to reach fair wholesale valuations where none exist. Thus a huge volume of goods and a number of transactions are taxed to some extent arbitrarily which must be so in the case of a manufacturers' sales tax.

During more than thirty years of its administration, the Customs and Excise Branch of the Department of National Revenue has developed a high degree of skill in the application of its valuation procedure. We have been impressed with the relatively few complaints with its methods. The Branch has issued general instructions for all taxpayers and where necessary specific instructions for certain industries. These have been published as (c) circulars, twenty-four in number. In addition, agreement has been reached with other industries and in some cases with individual taxpayers and confirmed

by letter without publication. For the most part, these (c) circulai and letters provide for discounts from consumer or retail list c actual selling prices. If the department has reached agreement wit an industry, the discount or arrangement is not considered to b confidential. However, an arrangement with an individual whic varies his treatment from that of the industry or where he constitute the whole of the industry is kept secret.

(b) The general complaint we have heard frequently is the lack c any right of appeal as to valuations. It has been pointed out tha even if little use is made of an appeal procedure, its existence woul place a negotiating taxpayer in a fair position to dispute his trea ment which is not now the case.

The Act does not appear to authorize the Minister to vary actua selling prices or to impute wholesale prices when they do not exis It is apparent that without such authority and general rules as t the determination of value, there can be no useful right of appeal.

(c) Another difficulty associated with the manufacturers' level the varying extent to which manufacturers' operations extend int distribution functions. Some manufacturers producing heavy equip ment such as locomotives or specially branded merchandise fc retailers might be contrasted with the makers of nationally brande lines of cosmetics, where advertising constitutes a large portion c the selling price. The unevenness of this level has produced som thoughtful suggestions to the effect that the wholesale selling pric should be replaced by a "pure manufacturers' selling price".

Such a price basis would be arrived at so as to include manu facturing costs and profits and exclude all expenses of distributio It would be difficult in assessing but possible. However, we reje it because it offends an essential feature of sales tax, that is, cer tainty. Where a manufacturer makes payment of tax on behalf c consumers he must be sure of the amount of the tax at the time c payment. Furthermore, it follows that such a method would reduc the tax base and require higher rates to produce similar revenues.

The variation of distribution functions has been well demor strated to us by one manufacturer who does not conform to the usua distribution methods of his industry. He incurs more than the usua distribution costs and secures higher prices. This results because h in fact, performs some of the operations usual to the retail mer chants. To bring his prices into line with wholesale he requires larger discount than that allowed to his competitors.

(d) Apart from valuation, equity must also be sought as to "Tim of Payment". The prototype transaction—manufacturer to whol saler—calls for payment within 30 days following the end of th month when the transaction occurs.

It follows, therefore, that when a manufacturer sells to a retaile payment must be exacted at the same time as it would have bee had he first sold to a wholesaler.

To make this adjustment, the Department has established the "Unlicensed Wholesale Branch" technique. This requires that when a manufacturer transfers goods to a warehouse which is not adjacent to its plant or to a sales depot the goods are deemed to have been sold and the tax is payable. Those manufacturers are then permitted to discount their sales to retailers.

Manufacturers complain that this technique—

1. Requires payment of tax before realization.
2. Does not permit the deduction of obsolescence losses from sales.
3. Uses selling prices which are not known at time of tax computation.
4. Creates a distinction between adjacent and non-adjacent warehouses which is artificial.
5. Causes manufacturers to carry tax paid inventories with the resultant financing charges and risks.

5. It is the last mentioned complaint which justifies the technique for it treats these manufacturers in much the same manner as unlicensed wholesalers. Accordingly, we consider it a necessary feature of a sales tax at a manufacturers' level. Other methods of compensation which we have considered would be no more simple or acceptable.

6. In addition to the licensing of about 46,000 manufacturers, the department has licensed about 2,000 wholesalers.

7. A licensee buys his goods for manufacture tax free and collects tax on those sold to unlicensed buyers. Wholesalers are licensed either because more than 50% of the goods they sell are tax free or because they held licenses when the practice of general wholesale licensing was abolished in 1938.

8. The purpose of licensing wholesalers is to reduce the number of refunds which would otherwise result. It follows that this practice discriminates in favour of licensed wholesalers to the extent that they carry taxable inventories. We have heard almost no complaint as to this discrimination. In view of our Recommendation Number 11 [page 8] all wholesale licenses should be continued so as to restrict, so far as possible, tax paid wholesale inventories.

9. It is noted that the first term of reference speaks of equalizing tax payable on goods of like value rather than on like goods. We have had several demonstrations of like goods having differing selling prices because in some cases they bear special brands and in other cases national brands.

0. If specially branded goods were taxed at the "pure manufacturers' selling price" (see paragraph 4(c)), they would bear approximately the same sales tax as nationally branded goods. On the other hand if they were taxed at the consumers' level on an ad valorem basis, they would bear varying amounts of tax.

11. The point of interest is whether or not the selling price of specially branded goods to a retailer departs from the usual price level at which a manufacturer sells to a retailer. The representations we have heard indicate that it does, in fact, depart from the normal level.

12. It is argued by those who do not deal in specially branded merchandise that the merchants of those goods perform distribution services normally performed by manufacturers. On the other hand, merchants of specially branded goods state that there is elimination of distribution operations and thus greater efficiency in the sale of specially branded merchandise as opposed to that which is nationally branded.

13. It appears to us that there is some justification for both statements. The measure of greater efficiency is the difference in price when the goods are sold at retail. It is unlikely that the sale of such goods at the manufacturer-wholesaler or wholesaler-retailer level will reflect a fair difference in the value of like goods to the consumer. The reasons given for this are numerous and varied but there appears to be one fair example of the transfer of usual manufacturing functions. Manufacturers of nationally branded merchandise must incur advertising costs to secure public acceptance of their goods, whereas the costs of securing public acceptance of specially branded goods are borne by the retail merchants.

14. Accordingly, we consider that the market level of specially branded merchandise is not usually comparable to that of other merchandise except at the retail level. To apply sales tax fairly to these goods requires that they be defined as a class and that a formula be devised to apply appropriate relative tax at the manufacturer's sales level.

15. The definition should, we consider, deem an agency relationship to exist between manufacturer and merchant when goods are produced exclusively or principally for one merchant and bear a trade name which restricts their availability to other merchants. In accordance with such a definition, merchants buying specially branded goods would be deemed the manufacturers thereof and it then becomes necessary to seek a notional sale price in accordance with the definition set out below in Recommendation Number 2.

Recommendations—Reference No. 1

[1.] The existing scheme of valuation be continued for the present with statutory sanction.

[2.] Selling price receive a statutory definition—somewhat as follows:

(1) The "sale price" of goods which are sold by a manufacturer shall be

(a) where the goods are sold to wholesalers—the amount for which those goods are sold;

(b) where the goods are sold to others—

(i) if the goods are of a class which the manufacturer himself sells to wholesalers, the amount for which the goods would be sold by the manufacturer if sold to wholesalers, provided that a substantial proportion of the total sales of the class are to wholesalers;

(ii) in other cases, an amount to be determined by agreement made between the Minister and the taxpayer or any group of taxpayers. In the event of failure to reach agreement the Minister may fix such sale price or prices as he may consider fair in the circumstances and these prices shall remain effective unless altered by the Tax Appeal Board. The taxpayer shall have the right of appeal to the Board in respect of prices determined by the Minister which are not the subject of an agreement, and the Board shall fix such amounts without regard to the Minister's determination.

(2) The "sale price" of imported goods shall be the duty paid value thereof.

(3) The "sale price" of goods which are produced by a manufacturer and applied to his own use shall be:

(a) if the goods are of a class which the manufacturer sells to wholesalers, the amount for which the goods would be sold by the manufacturer if sold to wholesalers, provided that a substantial proportion of the total sales of the class are to wholesalers; and

(b) in other cases, an amount determined as in paragraph (1)(b)(ii) above.

Under this recommendation we do not purport to deal with matters which should be included in or excluded from the sale price as defined above.

3.] Valuation agreements be all published in the Canada Gazette. Values fixed by the Minister and not covered by agreement not be published.

4.] Individual taxpayers shall collect tax on the basis of these agreements or assessment by the Minister and if they fail to do so, because of dispute or other reason, shall be charged with such penalties and interest as the Act provides. They shall, of course, have a right of appeal as provided under Recommendation Number 2 above but until their appeal be granted they shall abide by the assessment.

In order that finality of liability may be established and the frequency of audit maintained, sales tax returns as filed shall not be varied by the Minister after a period of two years from the filing date, except in cases of misrepresentation or fraud.

5.] The Act shall provide for regulations by the Governor in Council in much the same form as Section 117 of the Income Tax Act.

6.] "The unlicensed wholesale branch" technique (see paragraph 5) receive statutory sanction, possibly in somewhat the same manner as is now contained in the Regulations.

7.] Section 37 of the Act be rewritten and provide a definition of sales not at arms length. The new section would permit selling prices not at arms length to be replaced by prices fair in the circumstances having regard to Recommendation Number 2.

[8.] Section 2(1)(a)(ii) of the Act be replaced by one which causes a merch ant to be deemed a manufacturer if an agency relationship exists or, i respect of specially branded goods, is deemed to exist. (See paragraph 15)

[9.] Section 22(1)(b)(ii) and Section 29(1)(f)(ii) be amended by the partia substitution of a phrase reading approximately as follows:

> ". . . including all amounts that may be prescribed by regulation" We have received many complaints to the effect that the presen sections are too rigid. It appears unfair that all charges stated in th section be included fully under all circumstances. We believe that b regulation it would be possible for the administration to grant relie where warranted.

[10.] The Act contains over twenty-five references to the Minister's discretion In our view, most of these discretions should be replaced by rules of law or by conferring authority on the Governor in Council to issue regulations

[11.] At some future date after suitable preparation and explanation t taxpayers, the basis of the tax be changed from the manufacturers' leve to the level at which retailers purchase goods. This is the level used fo sales tax purposes in Australia. It follows that the broader base wil produce increased revenues at the same rate. To obtain the sam revenues the rates of sales and excise tax may be reduced equivalent t the average wholesaler's mark-up and this recommendation is mad conditionally upon such a reduction.

We recognize that this change would require substantial refunds i respect of tax-paid inventories of manufacturers and wholesalers.

16. Recommendation Number 11 will affect some of the other recom mendations and, should it be decided in favour of adoption, the othe recommendations in this report should be reviewed in that light.

17. Recommendation Number 11 may be opposed by some taxpayer who now have what they consider to be satisfactory arrangements as t notional prices. It may also be opposed by persons who believe that i tends to favour large retail merchants to the detriment of small merchants The use of the wholesale level will bring into charge more distributio costs than are included at the manufacturers' level, and to the exten that large merchants may eliminate some of the costs usually incurre by small merchants the tax on their purchases will be less. We conside that this is not unfair if our recommendation as to specially brande merchandise, (Recommendation Number 8), be adopted. Sales tax i designed to be borne by consumers in proportion to their expenditure o taxable goods. This objective would be best achieved at the consume level by an ad valorem levy and would result in greater tax disparit as between like goods sold at different prices than that which may aris at the wholesale level. Adjustments away from an ad valorem basis ma detract from the economic neutrality of a sales tax and may result i interference with the achievement by merchants of greater efficiency i distribution.

8. It has been suggested by some interested groups that should we intend to recommend in favour of a change in level they be permitted to make further submissions. This we have considered unnecessary because it is not a recommendation for immediate adoption and to permit full opportunity for sufficient discussion would entail considerable delay in this report.

REFERENCE 2

"To examine the question of appeals from taxes imposed under the Excise Tax Act and make recommendations with regard thereto".

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9. In our opinion the following matters among others should be subject to appeal:

(1) Valuations

(2) Non-Arms-Length Transactions

(3) Exemptions

(4) Status as Manufacturer (See paragraph 15 and Recommendation Number 8)

(5) Penalty Assessments

We recommend that section 57 and subsequent appeal provisions of the Act be rewritten to give effect to the foregoing.

10. In allowing an appeal in respect of valuations, it is necessary to decide whether each taxpayer shall be permitted to have his own valuations assessed, or whether he must be bound by the valuations accorded to his industry and his right restricted to a departure from the industry basis because his method of conducting business differs from the industry.

11. It is argued that, if a taxpayer be permitted to depart from an industry average and secure a separate valuation, arrangements with industries which are the general basis on which tax is now assessed will be destroyed and the task of appraising individually all licensees would become intolerable. On the other hand, it is argued that taxpayers should not be required to produce in court particulars of competitors' methods of operation. We find the later argument more compelling and hence conclude that even at the risk of destroying existing industry arrangements as to notional valuations, each taxpayer should be entitled to dispute in the courts his own case without regard to others. The adoption of Recommendation Number 2 of Reference 1 will, we believe, achieve this result.

12. It has been recommended to us and we concur in the recommendation that the Income Tax Appeal Board and the Tariff Board should be combined into a Tax Appeal Board to hear tariff, income and sales tax appeals.

13. The subdivision of the Board and its operating methods should be left to the judgment of the Board. It may prove desirable to assign

certain personnel to matters relating to the classification of goods, being the types of problems now considered by the Tariff Board. Some appeals under sales tax would be similar in their problems to matters of income tax while others would approximate customs.

24. The procedures which permit of speedy and inexpensive appeals before the Income Tax Appeal Board and the right to further appeal commend themselves and should be continued.

25. The personnel of the new Board should, in our view, consist of business men and accountants as well as persons trained in the law.

REFERENCE 3

"To examine the problem arising under sales and excise taxes with regard to the tax payable by importers of goods and that payable by manufacturers in Canada of goods of like value when sold to customers at different levels in the marketing process and to make recommendations with regard thereto."

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26. We have seen some evidence of imported merchandise bearing less sales and excise taxes than comparable goods of domestic manufacture.

27. This disparity comes under two headings:

1. Goods imported in bulk and packaged in Canada.
2. Packaged goods that are purchased abroad at an earlier market level than they would be available in Canada or which are purchased at prices which omit some distribution costs.

28. For the most part, complaints under 1 above have related to pharmaceuticals and toilet goods. For sales tax purposes this difficulty could be cured by the further extension of the definition of producer or manufacturer in Section 29(1)(e). We see no reason why excise taxes should not be similarly based and recommend the transfer of that subsection suitably amended to Section 2(1)(a).

29. Matters which may come under the second heading primarily relate to customs valuations. We can only urge that customs officials exercise the utmost care to see that Canadian products are not confronted with unfair competition because of valuations.

30. The adoption of our recommendation to change the level from manufacturer to wholesaler (Reference 1—Recommendation Number 11) will by itself bring the valuation for sales tax purposes of most imported goods into line with domestic goods.

REFERENCE 4

"To examine the system of exemptions for goods based upon the use of such goods and recommend any changes which may achieve greater simplicity and certainty without substantial loss of revenue."

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31. We have received numerous suggestions for enlarging the extent of the exemptions for building materials and machinery and apparatus. Some of these suggestions do not come within our references because they involve substantial losses of revenue.

2. Attached hereto as Appendix A are a number of specific suggestions we have received, with which we concur.

3. In many instances the language used in the present exemptions is, we think, unsatisfactory and could, we believe, be improved if regard were had to the Sales Tax (Exemptions and Classifications) Act of the Commonwealth of Australia. It appears possible in many instances to avoid qualifying an exemption as to its use by a phrase such as "goods of a kind used principally in" (the Australian phrase is generally "exclusively or primarily and principally"). We draw attention particularly to the following examples:

(i) Electrical fittings and accessories (and parts therefor) and electrical materials being goods of a kind used . . . principally as part of electrical installation in houses or other consumer's premises, but not including (this is followed by a list of exclusions).

(ii) Equipment for use in churches and church services and articles for use in religious devotion viz:

(i) furniture, furnishings . . .

(ii) all articles for use in religious devotion . . .

In the latter case a phrase before the goods are itemized restricts their end-use.

4. The present list of exemptions is, we believe, unduly restrictive. It is notable that to set out the building material exemptions for the Australian Act requires about 220 lines while the Canadian exemptions of this class are expressed in 19 lines. It follows that such restriction is for the most part due to government policy.

5. It has been recommended to us that all materials used principally for buildings should be exempt. Subject to government policy this appears to be desirable but we do not believe that it is practicable to accomplish this until it has become the practice to publish all rulings and until these rulings have established a more positive pattern. Furthermore, it is doubtful whether such a recommendation comes within the terms of reference because the loss of revenue, would, we believe, be substantial.

6. In our view the definition of machinery and apparatus as set forth in Schedule III of the Act is unreasonably restrictive and should not be based on the opinion of the Minister. We recommend that it be replaced by one reading somewhat as follows:

"Machinery, apparatus, equipment and structures and complete parts thereof which are to be used in or are indispensable for the production or manufacture of goods; and machinery, apparatus, equipment and structures installed in, or as part of, the building in which manufacture or production takes place, or on or near the site of production or manufacture of goods, for the safety, health or comfort of the worker or as aids to production, or to be used in operations essential or accessory to the process of production or manufacture, or to create conditions essential for or favourable to

production or manufacture; this exemption does not apply to (a) machinery, apparatus, equipment and structures used in the transportation into, away from, or between distant sites of production or for the distribution or marketing of goods or for purposes of administrative overhead or sales promotion or operations accessory thereto; (b) for whatever purpose used; office equipment, furniture and supplies."

This definition does not totally remove the difficulty of distinguishing between production and transportation. We consider that it:

(1) provides better rules than those covered by the word "directly"

(2) is not so restrictive and will bring into the exemption safety equipment

(3) will not cause a substantial loss of revenue.

37. It has been recommended to us that all machinery and equipment purchased by a licensed manufacturer should be unconditionally exempt excepting those articles which would cause substantial revenue loss. The most obvious exceptions are automotive vehicles and office equipment. We reject this suggestion because we believe that paragraph 36 achieves a fair exemption without changing drastically the present administrative practices.

38. It has been recommended to us that in view of the large proportion of wire and cable which is sold for exempt purposes and for building trades, it be unconditionally exempt. We cannot concur in such a recommendation because of the large quantities of these materials that are used for power distribution and communications. It would, we believe, be possible to describe certain types of wire and cables which are mostly consumed in the building trades. These could then be unconditionally exempt if such exemption conforms to government policy. They may be roughly described as follows:

Rubber insulated and braided wire and cables
Thermoplastic wire and cables (excluding telephone)
Rubber insulated lead power cable (including armoured and control)
Flexible armoured cable (AC and ACL)
Non-metallic sheathed cable
Cambric insulated and braided wire and cables

39. It is not possible to estimate the loss of revenue which would result from the foregoing exemption of wire and cable consumed by the building trades, but it would probably be not less than three million dollars.

40. The following matters in Schedule III have been brought to our attention by members of the Department of National Revenue because they cause considerable administrative difficulty:

(1) "Usual coverings to be used exclusively for covering goods not subject to the consumption or sales tax and materials to be used exclusively in the manufacture of such coverings."

We believe that for the most part the difficulties under this item would be overcome if the exemption was restricted to coverings used by manufacturers and wholesalers.

(2) "Materials for use only in the construction, equipment and repair of ships."

We are informed that the term "ships" is difficult to define and may be interpreted so broadly as to include barges, scows, tugs and pleasure craft. We note that the dictionary restricts it to any sea-going vessel of considerable size, but it was probably the intention of Parliament to extend its use beyond that definition. We are inclined to believe that the exemption should be drawn in such a manner as to exclude from ships those items which are thought to be beyond its reasonable meaning.

1. Many persons have reported to us their uncertainty as to how the Minister will rule in respect of exemptions. Many taxpayers have obviously lacked familiarity with the method of arriving at decisions and with their rights of appeal. Furthermore, the term "ruling" appears to us to be rather unfortunate as applied to building materials and other articles which are not qualified by the opinion of the Minister. In the case of machinery and equipment the word "ruling" is now well chosen seeing that there is little, if any, appeal from the decision of the Minister, and a ruling is a final statement of law. In other cases we believe they should be described as opinions, interpretations or statements of the Minister's intention.

2. Under United States practice the administration have imposed upon themselves, without statutory requirement, the publications of all rulings, subject to some exceptions. The exceptions must conform to rules which they have laid down and should a ruling not be published the failure to publish must receive the approval of certain departmental officials.

3. In Australia the Commissioner states that he publishes virtually all rulings. Deputy Commissioners make rulings without reference to the Commissioner and these stand until altered if necessary by the Commissioner. The Australian rulings number some 14,000 and are contained in one volume which is kept up to date by a monthly publication.

4. We recommend that all rulings, interpretations or intentions should be published immediately they are issued. Exceptions would be made to this rule only when the rulings are redundant, secret formulae or business practices would be disclosed, the circumstances are unique, or the goods are incapable of proper description. We see no reason why the Department should not state trade names but believe that they should avoid the disclosure of ingredients.

5. We have received numerous complaints from licensed manufacturers of the extent to which they are held responsible for the propriety of exemption certificates. We recommend that the Act be amended so as to hold purchasers fully responsible for the certificates they issue and to hold the vendors responsible only in circumstances where the certificates are not in proper form or where it can be shown they have reason to believe they are false or inaccurate.

6. For this purpose the Australian administration requires that exemption certificates be addressed to the Commonwealth so that the purchaser in fact contracts with the Government and can be held accountable.

47. In order to give effect to these recommendations it will undoubtedl be necessary to add certain penal sections to The Excise Tax Act.

48. We have received complaints from licensed wholesalers that whe they sell secondhand goods they must charge sales tax thereon. In ou view no tax should be collected on secondhand goods which can b shown to have been already taxed, and we recommend that if necessar to accomplish this, the Act be amended accordingly.

GENERAL

49. For the purpose of this report we have received submissions fro the organizations listed in Appendix B and from a number of individua taxpayers.

50. In most cases the persons or organizations concerned have appeare and our records contain transcripts of the evidence and discussion.

51. We have visited Washington and Australia and are forwarding t you memoranda on our findings at these places.

52. To some extent we have been hampered by the lack of availabl information as to the sources of sales and excise taxes and the revenu losses which result or may result from exemptions. Furthermore, ther is a dearth of statistical information regarding the pattern of trade a the various levels of distribution.

53. The Department of Justice has furnished us with the services o Mr. D. S. Thorson. Mr. Thorson is familiar with our deliberations i arriving at the conclusions in this report and his advice has been mos helpful on all legal matters.

54. We are appreciative of the excellent facilities and high quality o staff made available to us by the Department of Finance. Miss Catherin Simcock has been an invaluable secretary.

55. Mr. Sim, Mr. Nauman and other members of the Department o National Revenue have been most patient with our questioning and hav given us complete assistance.

Respectfully submitted,

"Kenneth LeM. Carter, F.C.A."

"A. E. McGilvray."

I concur in the foregoing repor with the reservation that I do no agree that the subject matter o recommendation number 11 con cerning reference number 1 i within the terms of reference o the Committee as set forth in th letter of appointment of July 4 1955.

"Raymond Dupuis, Q.C."

APPENDIX A

Proposed Amendments to Schedule III of The Excise Tax Act

1. Add to the line, "plaster; lime; cement;" the words, "cement additives and concrete".

2. Add to the line now reading, "lumber; sash; doors; shingles; lath; siding; stairways;" the following words, "and units or members of wood as structural or architectural immovable building sections, other than cabinets and built-in furniture".

3. The lines reading, "plaster boards, fibreboard, wall panels, building paper, wallpaper and materials, manufactured wholly or in part of vegetable or mineral substances, for walls, wall coverings or building insulation;" be changed to read as follows: "plaster board, fibreboard, wall panels, building paper, wallpaper and other building materials for wall, ceiling or floor coverings, or for insulation or acoustical purposes".

4. Add to the line, "paints, varnishes, white lead and paint oil;" the words, "building water-proofing materials".

5. Alter the line which reads, "shower baths, bath tubs, basins, faucets, closets, lavatories, sinks and rims therefor and laundry tubs, not including repair parts therefor, nor pipes and pipe fittings;" to, "shower baths, bath tubs, basins, faucets, closets, lavatories, sinks and rims therefor and laundry tubs, including pipes and pipe fittings therefor not exceeding prescribed dimensions".

6. The line, "glass for buildings;" be altered to read, "glass not bevelled, ground, etched, or further processed, and stained glass windows for churches".

7. The line reading, "furnaces, stokers, oil or gas burners, hot water and steam radiators not including fittings, for the heating of buildings;" be replaced by, "furnaces, stokers, oil burners, gas burners, hot water and steam radiators, including pipes and pipe fittings therefor, of not more than a prescribed size, for the heating of buildings".

8. The line, "locks and lock sets;" be amended to read, "locks and lock sets and mechanisms for operating doors in manufacturing establishments".

9. The line reading, "structural steel to be used exclusively for the framework and support of buildings;" be altered to read, "structural steel and other structural metallic materials for buildings".

10. A new line inserted reading, "nails and spikes not exceeding a prescribed length".

APPENDIX B

List of Organizations Which Have Made Submissions To the Sales Tax Committee

Allied Florists and Growers of Canada Incorporated
Association of Canadian Distillers
Canadian Ad-Journal Association
Canadian Association of British Manufacturers and Agencies
Canadian Association of Equipment Distributors
Canadian Automobile Chamber of Commerce
Canadian Automotive Wholesalers' and Manufacturers' Association
Canadian Bar Association
Canadian Builders Supply Association
Canadian Chamber of Commerce
Canadian Construction Association
Canadian Electrical Manufacturers Association
Canadian Food Processors Association
Canadian Gas Association
Canadian Importers and Traders Association Incorporated
Canadian Institute of Steel Construction Incorporated
Canadian Manufacturers' Association
Canadian Pharmaceutical Manufacturers Association
Canadian Retail Federation
Canadian Tax Foundation
Canadian Wholesale Dry Goods Association
Compressed Gas Association, Incorporated
Confectionery Chocolate & Cocoa Industries of Canada
Four Oil Companies
Liquefied Petroleum Gas Association, Incorporated (Eastern Canadian District)
Oil Heating Association
Ontario Association of the Canadian Glass Federation
Three Tire and Rubber Companies
Three Large Retailers
Stoker Institute of Canada
Toilet Goods Manufacturers Association

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